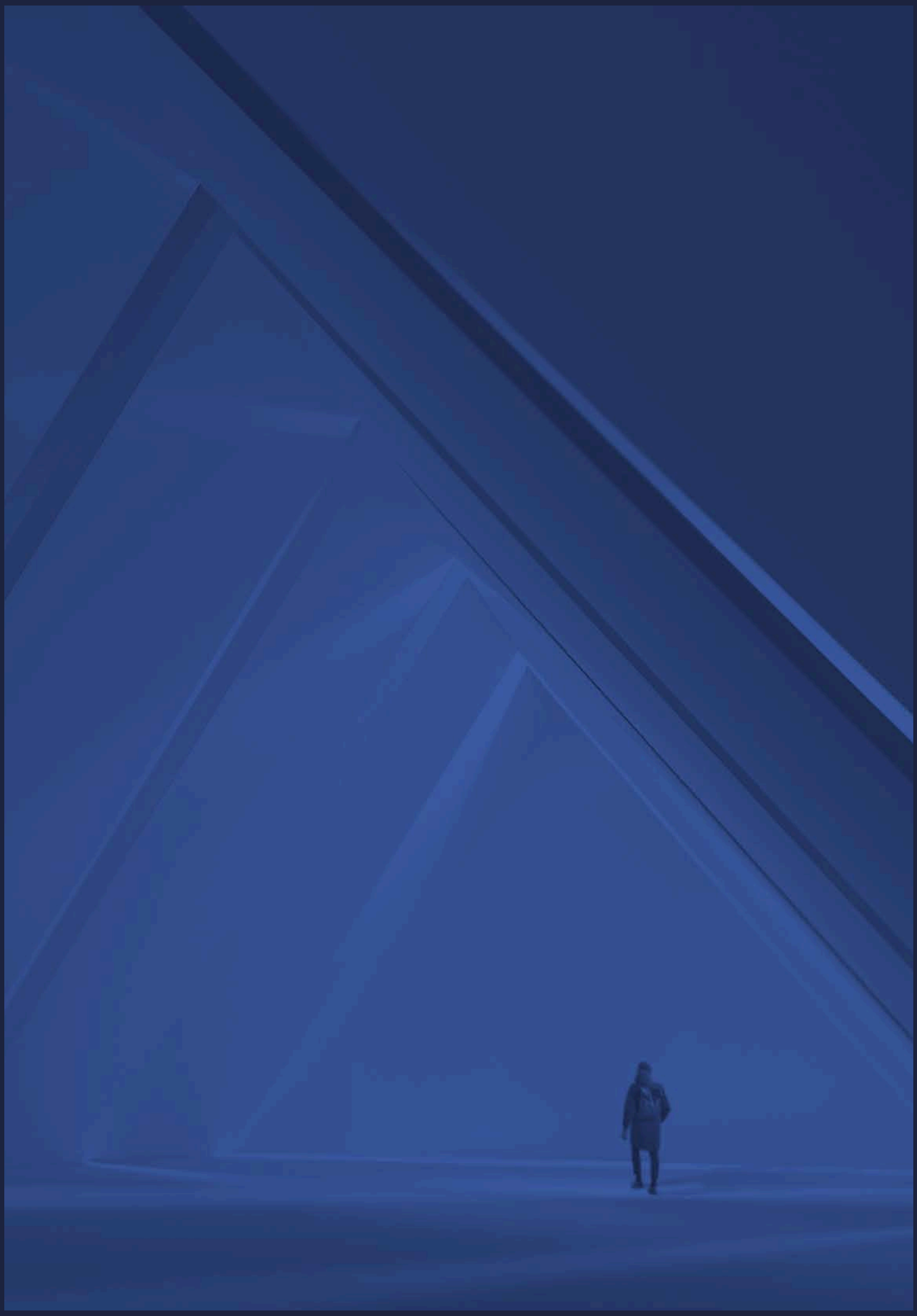
arel
Agenzia di Ricerche
e Legislazione
fondata da **Nino Andreatta**

BORN INVESTED

A proposal for pension investment accounts from birth

An AREL project in
collaboration with

ASSOGESTIONI
associazione del risparmio gestito



CONTENTS

INTRODUCTION 4

1 DEMOGRAPHIC AND PENSION CONTEXT 9

2 RATIONALE FOR THE PROPOSAL 15

3 HOW PENSION INVESTMENT ACCOUNTS WORK 19

4 IMPACT ASSESSMENT 23

CONCLUSIONS 29

APPENDIX COMPARABLE MEASURES I

The Pension Investment Accounts (PIAs) proposal was developed jointly by Arel and Assogestioni.

This proposal aims to:

1. Strengthen Italy's pension provision and pension system;
2. Encourage long-term savings from childhood, while also promoting financial literacy;
3. Contribute to the development of an effective capital market within the framework of the European Union's Savings and Investments Union.

This paper is being made publicly available and circulated to institutions, political parties and social partners as a contribution to the debate.

ACKNOWLEDGEMENTS

This paper was prepared by AREL and Assogestioni, with the coordination of Fabrizio Pagani and Andrea Lamberti. It is the outcome of an extensive consultation process involving experts, stakeholders and policymakers.

An AREL project in collaboration with Assogestioni.

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Please note that this is an unofficial courtesy translation of the Italian version. In the event of any discrepancies, the original version shall prevail.
Translation by Noemi Paolucci.

INTRODUCTION

The Italian pension system urgently requires innovative and ambitious **reforms** to ensure its long-term sustainability and fairness. The changes to supplementary pension provision recently introduced under the 2026 Budget Law represent steps in this direction. However, the current structure of the pension system does not appear adequately equipped to withstand the impact of the **profound demographic imbalances** that Italy will face over the coming decades.

Successive editions of the OECD's Pensions at a Glance report have highlighted how the combined effects of rapid population ageing, low birth rates and limited labour market participation among older age groups are placing considerable pressure on pension systems across numerous countries, including Italy[1].

In this respect, Italy represents a particularly illustrative case. The country's pension system rests on three pillars:

1. the mandatory public pension component, financed on a pay-as-you-go basis;
2. occupational and collective pension arrangements, comprising collectively agreed pension funds established by social partners and employers, alongside open pension funds;
3. individual supplementary pension provision, available on a voluntary basis.

In principle, this three-pillar architecture provides a balanced framework designed to distribute risk across different sources of pension income and, over time, ensure adequate retirement incomes. However, demographic trends and the limited development of the second and third pillars threaten to undermine the overall objectives of the pension system. Strengthening supplementary pension provision is therefore essential to safeguarding the sustainability of public finances, ensuring more adequate pensions for future generations and promoting intergenerational equity.

[1] OECD (2025), *Pensions at a Glance 2025: OECD and G20 Indicators*.

Italy must also **develop mechanisms and foster a culture of long-term saving**, thereby helping to promote widespread and sound financial literacy. The benefits are clear, particularly for individuals on lower incomes who face greater difficulties in saving. These are often the very same segments of society that lack adequate financial education.

There is also an opportunity to **channel private savings, including pension fund assets, towards long-term investment in the real economy**, in line with the EU strategy for establishing a Savings and Investments Union (SIU). Savings should contribute to innovation, investment and economic resilience, and the range of instruments available to achieve these objectives should be expanded.

In light of these considerations, it is important to **emphasise the positive contribution of the measures concerning supplementary pension provision introduced by the 2026 Budget Law** (Law No 199 of 30 December 2025).

Indeed, with effect from 1 July 2026, a default enrolment mechanism with an opt-out option has been in place, under which private-sector employees entering employment for the first time automatically become members of the relevant collective supplementary pension scheme.



This measure was accompanied by:

I an increase in the annual tax-deductibility ceiling for contributions to supplementary pension schemes, from €5,164.57 to €5,300;

II an expansion of the available pension benefit payment options through the introduction, alongside lifetime annuities and lump-sum payments, of fixed-term annuities, flexible withdrawals and phased withdrawals of accumulated pension assets;

III the introduction, for members enrolled through non-explicit forms of enrolment, of life-cycle investment strategies, under which the risk-return profile is adjusted according to the member's age and investment horizon;

IV measures aimed at strengthening the portability of accrued pension entitlements and employer contributions;

V more generally, greater flexibility during the decumulation phase of retirement savings.

Taken together, these measures represent a substantial and important contribution to the wider adoption and consolidation of supplementary pension provision in Italy. Fully achieving this objective, however, will require further innovative instruments.

Building on this framework, the present paper proposes the introduction of **Pension Investment Accounts (PIAs)**, a **simple and universal mechanism** designed to encourage the accumulation of supplementary retirement savings from early childhood and over the long term. In essence, the proposal envisages the establishment, at birth, of an individual supplementary pension account, funded by the State through a monthly contribution of €10. These regular payments would continue until the beneficiary reaches the age of 18. Families, potentially supported by additional tax incentives, would in turn be able to supplement the public contribution through voluntary monthly payments. The State contribution would thus also serve as a behavioural nudge, encouraging the accumulation of supplementary retirement savings from the earliest stages of life.





It is proposed that **Pension Investment Accounts be managed by existing supplementary pension schemes, in accordance with the highest standards of efficiency and subject to low fees**.

The proposed framework draws on approaches developed or currently under consideration in other countries, including Germany and the United States, as described in the Appendix, as well as measures adopted at regional level in Italy, particularly in Trentino-Alto Adige and Friuli-Venezia Giulia.

The accumulated funds would constitute pension savings and would be invested over a very long-term horizon, benefiting from compound returns, without prejudice to the early withdrawals and redemptions permitted under the applicable regulatory framework. Such investment would result in higher future pension benefits for beneficiaries, the wider dissemination of financial literacy, and a significant contribution to the expansion and deepening of capital markets.





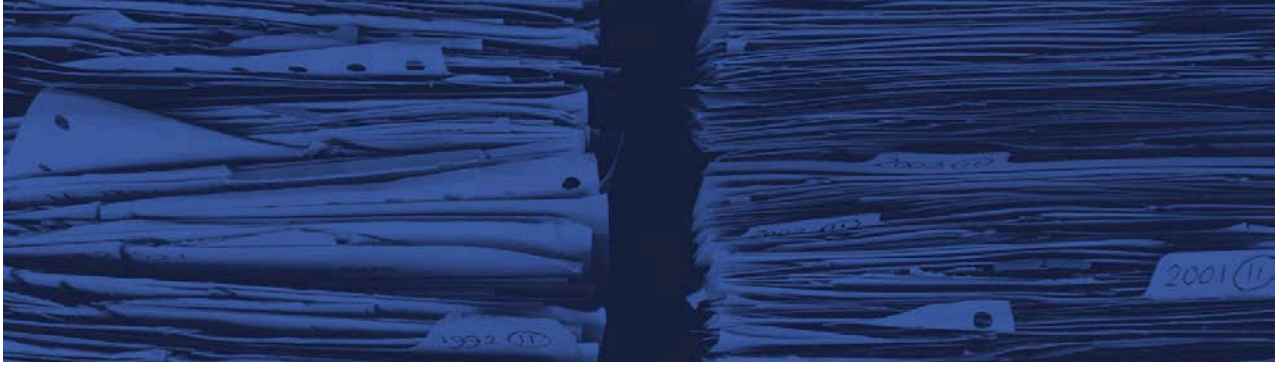
1 DEMOGRAPHIC AND PENSION CONTEXT

Advanced economies are undergoing a demographic transition that has now become structural in nature. As highlighted by the OECD, low birth rates and increasing life expectancy are well-established trends that are profoundly reshaping the balance between the working-age and elderly populations, with significant implications for **the sustainability of pension systems**.

The fertility rate across OECD countries currently averages approximately 1.5 children per woman[2], significantly below the replacement level of 2.1 children per woman. An increase in this rate in the near future appears unlikely, particularly given that demographic projections have historically underestimated the decline in birth rates[3], as the OECD itself emphasises in its Pensions at a Glance 2025 report. This demographic imbalance therefore makes it necessary to equip pension systems to withstand a sustained increase in the ratio of the elderly population to the working-age population.

At the same time, **life expectancy** continues to increase. Across OECD countries, life expectancy at age 65 is projected to rise by approximately one year over the next decade and, although the pace of improvement is expected to slow, the upward trend is projected to continue until 2050[4]. This implies that, under unchanged legislation, the average duration of retirement will tend to increase, with clear implications for overall pension expenditure.

[2] OECD (2025), op. cit., p.18.
[3] OECD (2025), op. cit., p.17.
[4] OECD (2025), op. cit., p.19.



In Italy, the demographic trends outlined above are particularly pronounced. According to World Bank data, **Italy has the thirteenth-lowest fertility rate in the world**[5], averaging 1.18 children per woman[6]. In 2024, 369,944 births were recorded in Italy, approximately 10,000 fewer than in 2023. This represents an annual decline of 2.6%, broadly in line with the average annual percentage decrease recorded over the period 2008–2023 (2.7%). Overall, between 2008 and 2024, the cumulative decline amounted to almost 207,000 births, corresponding to a decrease of 35.8%[7]. These trends are compounded by a third structural factor: **international migration**. Between 2014 and 2024, more than 1.243 million Italian citizens emigrated, compared with just over 573,000 who returned to Italy, resulting in a cumulative negative migration balance of approximately 670,000 resident citizens[8].

The overall result is a **severely imbalanced demographic structure**. In Italy, the proportion of the population aged 65 and over is steadily increasing, while the younger population is declining, thereby reducing the size of the working-age population. From a pension perspective, this trend is reflected in an increase in Italy's old-age to working-age ratio. Projections by the Italian Ministry of Economy and Finance (MEF) indicate that the ratio of people aged 65 and over to those aged 15–64 will rise from 37.8% in 2023 to 62.3% in 2070[9]. An increase of this magnitude, unless accompanied by appropriate measures addressing labour supply, productivity and the parameters of the pension system, **will seriously jeopardise the sustainability of the pension system**.

FERTILITY RATE ACROSS OECD COUNTRIES

1,5

children per woman

Replacement fertility level: 2.1

BIRTHS IN ITALY · 2024

369.944

births in one year

–35.8% compared with 2008

ITALIAN MIGRATION BALANCE

-670.000

citizens (approximately)

Cumulative balance, 2014–2024

POPULATION AGED 65+ / 15–64

62,3%

projected for 2070

37,8% in 2023

[5] Arel calculations based on World Bank data. *Fertility rate, total (births per woman)*. World Bank Open Data.
[6] ISTAT (2025), Natalità e fecondità della popolazione residente. Anno 2024, p.1.
[7] ISTAT (2025), op. cit., p.2.
[8] ISTAT (2025), Migrazioni interne e internazionali della popolazione residente, Anni 2023-2024, p. 6.
[9] MEF (2025), Le tendenze di medio-lungo periodo del sistema pensionistico e socio-sanitario Report No 26, p. 6.

The demographic situation outlined above poses increasing challenges to Italy's mandatory public pension system (and, more generally, to pay-as-you-go pension systems). In this regard, the INPS 23rd Annual Report highlights that:

> *although an increasing proportion of pensions is calculated under the contribution-based system and is therefore linked to the contributions paid by beneficiaries throughout their working lives,* ***the issue of sustainability remains, as pension benefits are financed on a pay-as-you-go basis*** *[...]. Where the amount of benefits paid exceeds the contributions made by workers and employers, a structural imbalance arises within the system that must be offset. This is generally achieved through State transfers financed from general taxation*[10]*.*

As highlighted in the Twelfth Report *Il Bilancio del Sistema Previdenziale italiano* (The Italian Pension System's Balance Sheet), prepared by Itinerari Previdenziali, "**the balance between contributions and benefits in 2023, as has been the case for many years, was negative by €30,421 million**"[11].

In light of current demographic trends, this deficit can inevitably be expected to widen further over the coming decades, placing increasingly difficult-to-sustain pressure on public expenditure. In this regard, it is important to recall that **Italy already consistently ranks among Western countries with the highest pension expenditure as a share of GDP**. In 2021, expenditure on pension benefits reached 16.3% of GDP, a figure surpassed in Europe only by Greece and considerably higher than the EU average of 12.9%[12]. It is therefore difficult to envisage general taxation alone being able to sustain further substantial financial commitments in this area.

[10] INPS (2024), *XXIII Rapporto Annuale*, p. 284.

[11] Centro Studi e Ricerche Itinerari Previdenziali (2025). *Dodicesimo Rapporto sul Bilancio del Sistema Previdenziale italiano: Il bilancio del sistema previdenziale italiano. Andamenti finanziari e demografici delle pensioni e dell'assistenza per l'anno 2023*, p.12.

[12] INPS (2024), op. cit., p. 281.

As highlighted at the outset, however, the Italian pension system does not rely exclusively on its mandatory public component. It was precisely with the aim of developing a system capable of withstanding the demographic changes on the horizon that the reforms implemented between 1992 and 2005 established a three-pillar structure, in which the first, public pillar is complemented by a second pillar comprising collective supplementary pension provision and a third pillar consisting of voluntary individual pension provision. Nevertheless, **the second and third pillars have never achieved the level of participation and financial robustness required to ensure the sustainability of the system's overall architecture**.

The 2024 COVIP Report highlights that **the participation rate in supplementary pension schemes stands at just 38.3%**, only slightly more than one in three workers. This figure falls to 27.6% when only individuals who actually paid contributions during the year are considered. Moreover, even among those participating in supplementary pension schemes, contribution levels remain limited[13]. The same Report notes that "In general, **the average individual pension savings accumulated by those approaching retirement remain relatively modest and insufficient to provide a significant supplement to mandatory pension benefits**: among individuals aged 60–64, the average accumulated individual pension savings amount to approximately €28,800 in collectively agreed pension funds, €29,400 in open pension funds and €20,300 in individual pension plans".[14]



[13] COVIP (2025), Relazione per l'anno 2024, p.13.

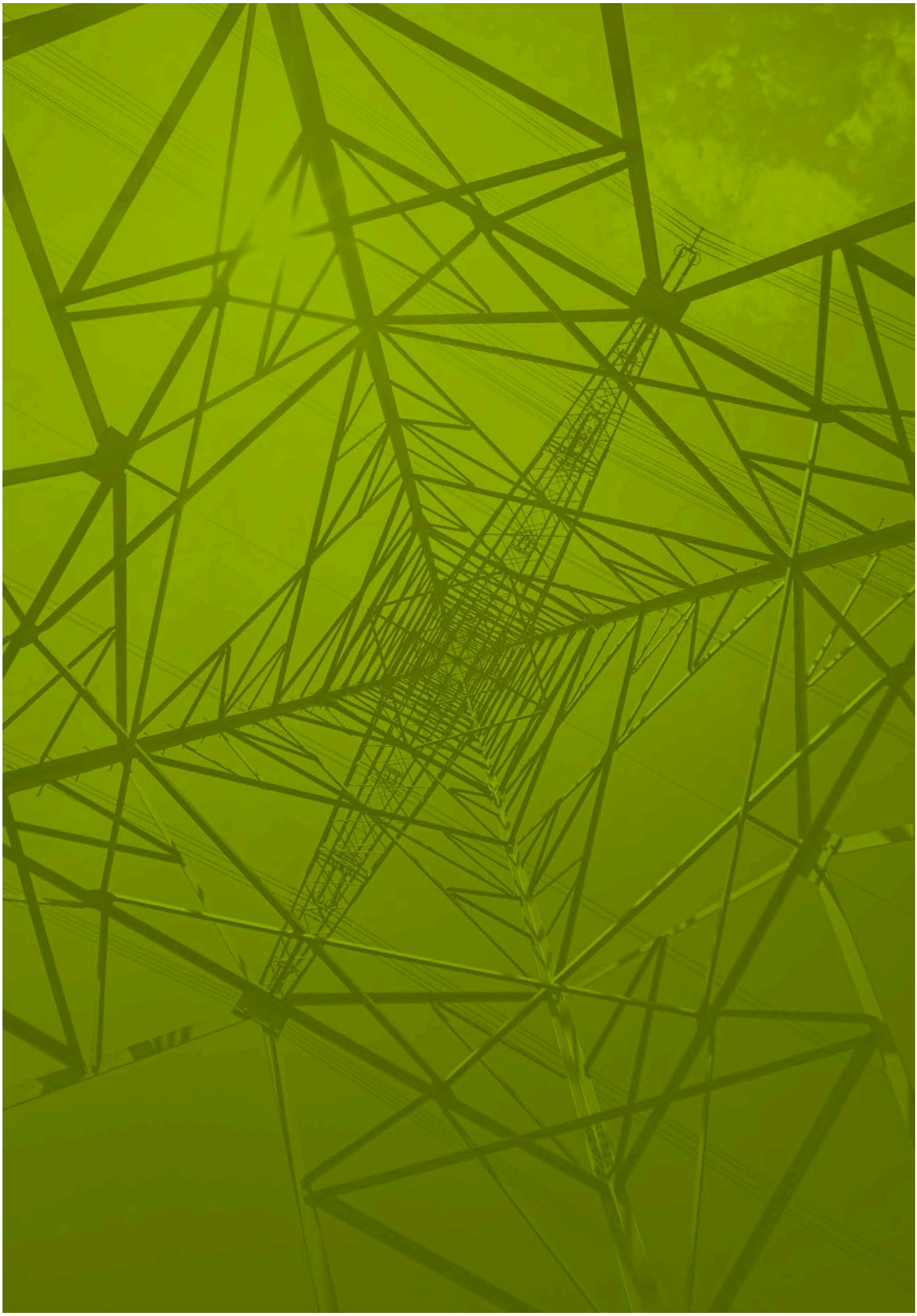
[14] COVIP (2025), op. cit., p. 55.

This is particularly important because the unsustainability of the pension system affects not only the stability of public finances, but also the income prospects of households and individuals. Official projections by the Ministry of Economy and Finance indicate that, **for equivalent contribution records, replacement rates under the public pension system are expected to decline significantly over the long term**, partly as a result of increasing life expectancy. The replacement rate measures the ratio between the initial pension benefit received and the final earnings from employment, thus providing a summary indicator of the pension system's ability to ensure income continuity during retirement. This progressive reduction in public pension benefits demonstrates that, **without adequate development of supplementary pension provision, an increasing proportion of individuals risk entering retirement with income levels insufficient to maintain satisfactory standards of living**.

Low participation in supplementary pension schemes also raises significant concerns in terms of equity, given the substantial disparities in participation across different social groups. As also highlighted in the 2024 COVIP Report, "Differences in participation in supplementary pension provision tend to widen existing disparities arising from the structure of the labour market"[15]. In particular, private **pension coverage is significantly lower among self-employed workers than among employees**. Only 23.7% of self-employed workers are members of a supplementary pension scheme, compared with 38.8% of employees. The gap widens further when considering only members who made contributions during the year, with participation rates of 13.3% among self-employed workers and 30.5% among employees[16].

Overall, the underdevelopment of supplementary pension provision not only reduces the system's capacity to absorb ongoing demographic shocks, but also contributes to perpetuating and exacerbating inequalities already present in the labour market and throughout individuals' working lives and income trajectories. In the absence of measures capable of significantly and inclusively increasing participation in supplementary pension savings schemes, the risk is that the system will become progressively less financially sustainable and less socially equitable.

[15] COVIP (2025), op. cit., p. 27.
[16] COVIP (2025), op. cit., p. 27.





2 RATIONALE FOR THE PROPOSAL

Against this backdrop, the proposal seeks to introduce **Pension Investment Accounts (PIAs), namely by establishing an individual supplementary pension account for every child at birth, funded through regular public contributions until the age of 18**.

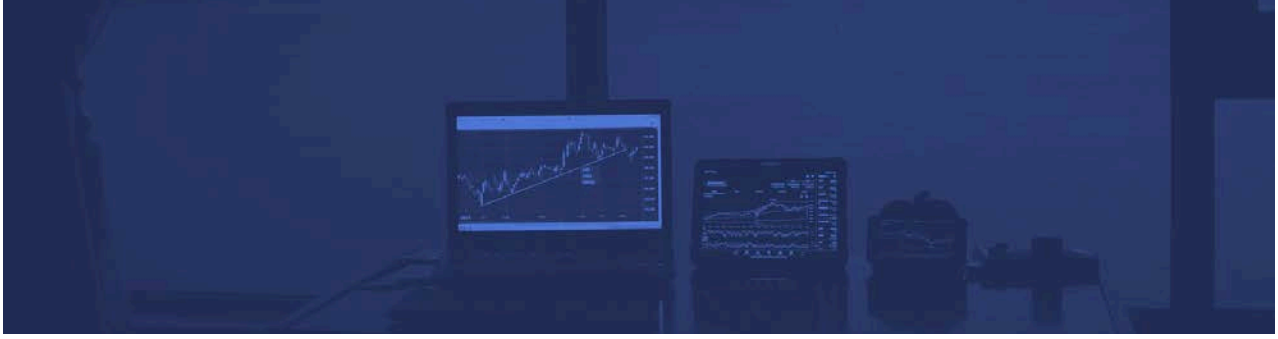
The rationale underpinning this measure rests on **three closely interconnected objectives**:

Encourage broader and, above all, earlier participation in individual supplementary pension provision, by reducing the barriers that currently hinder participation and improving the adequacy of future pension benefits over time.

Promote long-term saving from childhood, while also fostering greater financial literacy.

Channel an increasing share of long-term savings towards the real economy, thereby contributing to the development of capital markets and the financing of productive investment.

With regard to the first objective, it should be recognised that voluntary participation in supplementary pension schemes is often hindered by a range of factors, which frequently compound one another: low initial earnings, discontinuous employment histories, limited financial literacy and an underestimation of long-term pension risks. Evidence from behavioural economics shows that **nudging instruments and default enrolment mechanisms can have a significant impact**, as inertia and complexity often play a decisive role in reducing individuals' propensity to save for retirement.



Accordingly, the early and automatic initiation of pension savings **makes it possible to establish participation in supplementary pension provision as a structural component of an individual's life course**, reducing the burden of individual decision-making at stages characterised by high levels of economic and informational uncertainty.

The measure is also designed to encourage family involvement. Regular public contributions are not intended to replace private savings, but rather to act as a lever and a stable institutional signal capable of encouraging additional contributions, even of modest amounts. Over a period spanning several decades, the interaction between public contributions, private top-ups and investment returns could result in the accumulation of substantial pension assets, **significantly enhancing the adequacy of future pension benefits**. Private contributions could be encouraged through tax incentives, by introducing an additional annual tax-deductibility allowance of €5,300 for contributions to supplementary pension schemes on behalf of dependent minors.

Facilitating long-term saving before entry into the labour market would make it possible to decouple, at least in part, participation in supplementary pension provision from initial employment and income conditions, which currently give rise to significant inequalities between employees and self-employed workers, between men and women, and between individuals with varying degrees of career stability.

Furthermore, opening an individual pension account from childhood could help **strengthen the financial education of beneficiaries and their families**, making the value of long-term saving and retirement planning more tangible and easier to understand. The existence of a dedicated account, funded on a regular basis, would make it possible to transform the abstract notion of a future pension into something concrete, observable and capable of being monitored over time. This could foster greater familiarity with fundamental concepts such as accumulation, returns, risk, diversification and investment horizons, thereby reducing one of the main barriers currently hindering the wider uptake of financial investment and supplementary pension provision. It is precisely for this reason that the management of PIAs should be entrusted to pension funds: fostering a culture of financial literacy requires contributions to be genuinely invested in financial markets rather than merely deposited in interest-bearing accounts. As is well known, financial literacy remains limited in Italy, particularly among the less privileged segments of the population. PIAs, designed in this way, could also have a significant impact in this respect, extending financial knowledge and familiarity with financial matters to segments of the population that have traditionally had little exposure to them.

The third objective of the proposal concerns **the mobilisation of savings towards the real economy**. A broader and more robust supplementary pension system would increase the availability of financial resources for long-term investment, an essential prerequisite for supporting investment in infrastructure, the energy transition, technological innovation and firm-level scaling. The economic literature[17] shows that pension funds are particularly well suited to fulfilling this role, owing to the stability of their cash flows and the long duration of their liabilities. By international standards, the role of pension funds in the Italian economy remains limited, resulting in a correspondingly reduced capacity to channel private savings towards productive investment. The proposal outlined here, if successful in bringing about a structural increase in participation and contribution flows over time, could help to significantly expand the assets under management of pension funds over the medium to long term. Indeed, even initially modest contributions, if spread across a large number of accounts and sustained over several decades, can generate substantial macroeconomic effects in terms of capital market depth and liquidity, particularly where resources are channelled towards long-term investment in the real economy.



[17] OECD (2025), *Pension Markets in Focus 2025*.





3 HOW PENSION INVESTMENT ACCOUNTS WORK

PIAs are designed as a universal scheme covering all children born in Italy, managed by supplementary pension providers and subject to minimal fees. Every newborn child would be entitled to the public contribution (including children adopted or placed in foster care, from the date of the relevant legal decision). Responsibility for opening the individual account, as well as for selecting the pension scheme provider, would rest with the family[18].

The proposal envisages the introduction of a regular public contribution to the supplementary pension account held in the child's name, paid continuously from birth until the age of 18. The contribution could be set at €10 per month for each beneficiary, in order to ensure regular accumulation and consistency with long-term investment principles. Unlike schemes based on a one-off initial endowment, a mechanism providing for continuous contributions would strengthen the accumulation process over time, making the flow of resources allocated to retirement savings more stable and predictable. The regularity of contributions would also help make the growth of accumulated capital more visible and tangible, reinforcing the measure's behavioural "anchoring" function and encouraging families to pay greater attention to the development of their savings over time.

A central element of the proposal is the active involvement of families. The child's pension account could receive **additional voluntary contributions from parents, grandparents or other family members**.

[18] To preserve the universal nature of the measure, the public contribution should not be forfeited if the minor's family does not immediately open an individual pension account on their behalf. Should this occur, the funds should remain available for a certain number of years so that they can be transferred into the minor's account once it has been opened.



To encourage such contributions, the proposal envisages introducing, in addition to the standard tax-deductibility ceiling applicable to supplementary pension provision (€5,300), **a separate annual tax-deductibility allowance for contributions made on behalf of minors eligible for the public contribution**. Within this limit, contributions made on behalf of a minor would be deductible from the taxable income of the person who actually made them, provided that the contributor has a qualifying family relationship with the minor, even where the beneficiary is not financially dependent on them for tax purposes. To avoid differences in treatment between minors eligible for the public contribution and those excluded because they were born before the measure entered into force, the new tax-deductibility allowance available to family members could be extended more generally to contributions made on behalf of all minors.

From an operational perspective, the measure could be implemented in a very straightforward manner. It would involve making full use of the existing legal, administrative and tax framework governing supplementary pension provision, without requiring the establishment of new structures, new investment vehicles or dedicated investment compartments. The initiative would be implemented through existing open pension funds or collectively agreed pension funds, using established investment options that fully comply with the regulatory framework in force. The applicable tax treatment would also be the same as that currently governing supplementary pension funds.

A gradual introduction of the measure could be envisaged, **applying it to children born from a specified reference year onwards**.

Once parents or legal guardians have selected the provider with which to open the child's individual pension account, the account would be activated within an existing investment option. Given the instrument's exceptionally long investment horizon, this option should follow a **life-cycle investment strategy** or, where the provider does not offer such an option, an investment strategy with a predominantly equity-based allocation. Using existing investment compartments rather than creating dedicated ones would significantly reduce the operational complexity, costs and implementation times associated with the measure. Providers would therefore not be required to develop new products or structures, but simply to accommodate additional contribution flows within existing investment solutions. Such a model would combine operational simplicity, rapid implementation and full use of existing infrastructure, while minimising administrative and regulatory burdens. **To ensure the effectiveness of the measure, it is essential that management costs be the lowest charged across the range of pension products offered by the pension fund, depending on the distribution model adopted**.

Equity exposure would be the central element of the investment policy, also serving an educational purpose: **the accumulated capital should not be perceived as a form of short-term saving, but as a long-term asset intended to grow throughout the beneficiary's entire life cycle**. Over such an extended investment horizon, short-term market fluctuations are less significant than the potential to generate long-term returns. Overall, **a predominantly equity-oriented investment policy would effectively align the management of resources with the instrument's long-term objectives**, maximising the growth potential of accumulated pension assets while also enhancing the contribution of pension savings to the development of the real economy.

It should be recalled that pension funds may invest these resources in Italian and EU companies, including through Individual Savings Plans (PIRs – *Piani Individuali di Risparmio*). In this case, income generated by such investments benefits from an additional tax advantage: on the one hand, it is excluded from the pension fund's investment result for the purposes of applying the 20% substitute tax; on the other, it is treated as income already subject to taxation when calculating the tax due on pension benefits paid out.

In line with the overall approach of the proposal, the provisions governing early withdrawals and redemptions under supplementary pension schemes should also apply to PIAs.

However, in order to reconcile the requirements arising from the pension-related nature of the product with the innovative feature of enrolment from birth, it may be appropriate to establish different rules governing access to accumulated funds during the initial stage of the beneficiary's life and the subsequent stage of full participation in the labour market. **During the initial phase of the scheme – that is, until the beneficiary reaches adulthood or the threshold established for the transition to the standard management arrangements for the individual pension account – access to accumulated capital should be subject to particularly restrictive rules**. As a general principle, accumulated capital should not be freely withdrawable, in order to preserve the objective of long-term accumulation and prevent the instrument from being used as a form of short-term saving. During this phase, any exceptions to the restrictions on withdrawals could be limited to a very narrow range of purposes closely aligned with the objective of individual wealth building, such as financing higher education or training. Mechanisms of this kind already exist in certain international programmes, particularly in the United States, where savings instruments designed for young people allow accumulated funds to be used for specific purposes relating to human capital development or access to home ownership. Once the initial phase has ended, **the standard rules governing early withdrawals and redemptions under supplementary pension schemes would apply**.



4 IMPACT ASSESSMENT

4.1. ASSUMPTIONS AND SIMULATION METHODOLOGY

The quantitative assessment of the proposal should be regarded as an order-of-magnitude estimation exercise rather than a point forecast. The results depend on the amount of the public contribution, additional contributions from families and beneficiaries, the accumulation period, net investment returns, management costs and the rules governing access to accumulated capital.

This analysis can be compared with the paper published by the Milken Institute, *The Economic Impact of Invest America Accounts* (2025), which provided the basis for the relevant US legislation. The Milken Institute's simulation is based on the performance of the S&P 500 index over several decades, assuming the reinvestment of dividends. **Our baseline scenario assumes a public contribution of €10 per month, equivalent to €120 per year, from birth until the age of 18**. Over the duration of the scheme, the State would therefore contribute a total of €2,160 per beneficiary, excluding investment returns.

For illustrative purposes, three annual net real rates of return are considered – 4%, 6% and 8% – representing a conservative, central and favourable scenario, respectively. These are real returns, meaning that they are adjusted for inflation. The 8% assumption represents a particularly favourable scenario and is intended to illustrate the sensitivity of the results to compound returns over a very long investment horizon.

The 6% rate of return constitutes the central assumption of the simulation, consistent with a portfolio with a high equity allocation and relatively low costs over a multi-decade investment horizon; it does not, however, constitute a guarantee. The choice of 6% as the baseline assumption reflects the fact that the net returns recorded over recent decades by major stock market indices, such as the S&P 500 in the United States, the MSCI Europe and the MSCI World, have been around this level.

The following table provides a summary:

	AVERAGE ANNUAL NOMINAL RETURN	AVERAGE INFLATION	AVERAGE ANNUAL REAL RETURN
S&P 500 1960-2025	~10,5%	~3,7% US	**~6,5%**
MSCI World 1970-2025	~9–10%	~3–4%	**~5,5–6%**
MSCI Europe 1970-2025	~9–10%	~4%	**~5–5,5%**

The simulation also distinguishes between two effects. The first is the accumulation generated directly by public contributions until the beneficiary reaches the age of 18. The second, considerably more significant, is the activation effect: public contributions encourage additional contributions from families during the beneficiary's childhood and promote the continuation of retirement savings once the beneficiary enters the labour market. It is primarily through this second channel that the scheme could have a significant impact on the adequacy of future pension benefits.



4.2. IMPACT ON ACCUMULATED CAPITAL AND FUTURE PENSIONS

With public contributions alone, the capital accumulated by the age of 18 would amount to approximately €3,080 under the conservative scenario, €3,710 under the central scenario and €4,490 under the favourable scenario. If the capital remained invested until the age of 67, with no further contributions or withdrawals, it would reach approximately €21,030, €64,450 and €195,160, respectively, in real terms.

NET REAL RATE OF RETURN	ACCUMULATED CAPITAL AT AGE 18	ACCUMULATED CAPITAL AT AGE 67
4%	3.080 €	21.030 €
6%	3.710 €	64.450 €
8%	4.490 €	195.160 €

Public contributions alone would therefore provide a useful initial capital base, with a tangible impact. However, the outcome changes significantly when the scheme succeeds in mobilising private contributions. Under the central assumption of a 6% net real rate of return, an additional family contribution of €10 per month until the age of 18 would double the initial accumulated capital, bringing it to approximately €7,415. If, after entering the labour market, the beneficiary then contributed €100 per month until the age of 67, the final accumulated capital would reach approximately €456,000 in real terms. With an additional family contribution of €25 per month, followed by contributions from the beneficiary of €150 per month, the accumulated capital at the age of 67 would rise to approximately €717,000 in real terms.

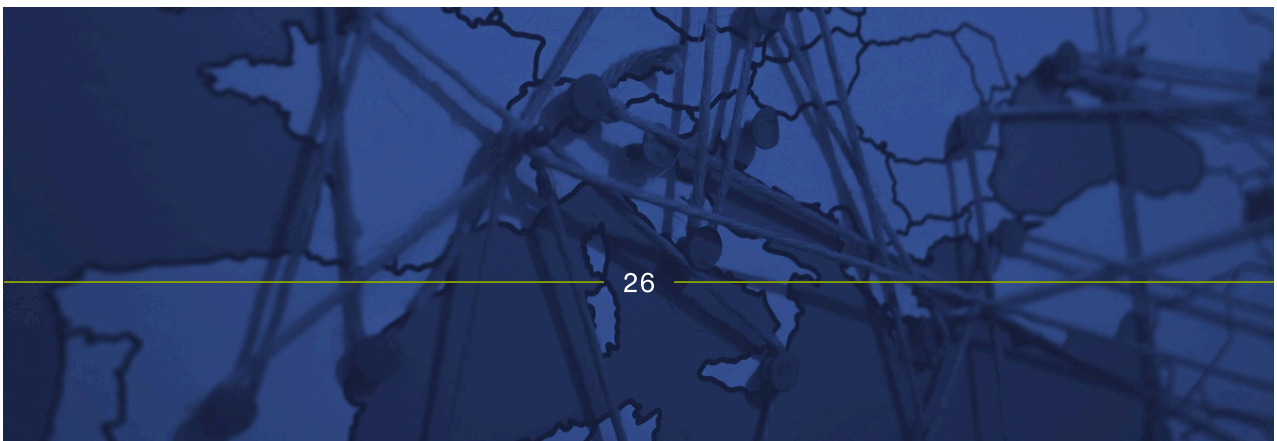
	CONTRIBUTIONS AGES 0–18	CONTRIBUTIONS AGES 19–67	ACCUMULATED CAPITAL AT AGE 18	ACCUMULATED CAPITAL AT AGE 67 (6% RETURN)
Public Contributions Only	State € 10/month	None	€ 3.710	**€ 64.450**
Moderate Activation	State € 10 + Family € 10/month	€ 100/month	€ 7.415	**€ 456.000**
Higher Activation	State € 10 + Family € 25/month	€ 150/month	€ 12.980	**€ 717.000**

For purely illustrative purposes, applying an annual withdrawal rate of between 3.5% and 4% to the final accumulated capital, the two scenarios involving continued contributions would generate an initial supplementary income stream of approximately €16,000–€18,300 per year and €25,100–€28,700 per year, respectively, in real terms. These figures do not constitute an estimate of an insurance annuity, which would require assumptions regarding longevity, technical interest rates, conversion costs and survivor benefits, but rather provide a summary indicator of the capital's potential capacity to support income during retirement.

4.3. BEHAVIOURAL AND DISTRIBUTIONAL EFFECTS

The impact of the proposal cannot be assessed solely on the basis of the public contribution. The automatic or substantially facilitated opening of an individual pension account in the child's name could reduce three barriers that currently constrain participation in supplementary pension provision: the psychological cost of enrolment, the complexity of the initial decision and the tendency to postpone decisions whose benefits will only materialise in the distant future. Regular public contributions would also make the accumulation process more visible and could serve as a reference point for additional contributions from parents and other family members.

Finally, the measure should be accompanied by a counterfactual evaluation. The minimum indicators to be monitored should include: the proportion of accounts actually activated; the percentage of families making additional contributions; the median contribution amount; the persistence of contributions over time; differences by income, gender and geographical area; the rate of continued participation after the age of 18; average costs; and net investment returns relative to relevant benchmarks. An initial cohort-based pilot scheme, using anonymised administrative data and incorporating independent evaluations after three and five years, would make it possible to refine the design of the measure before its full-scale implementation.

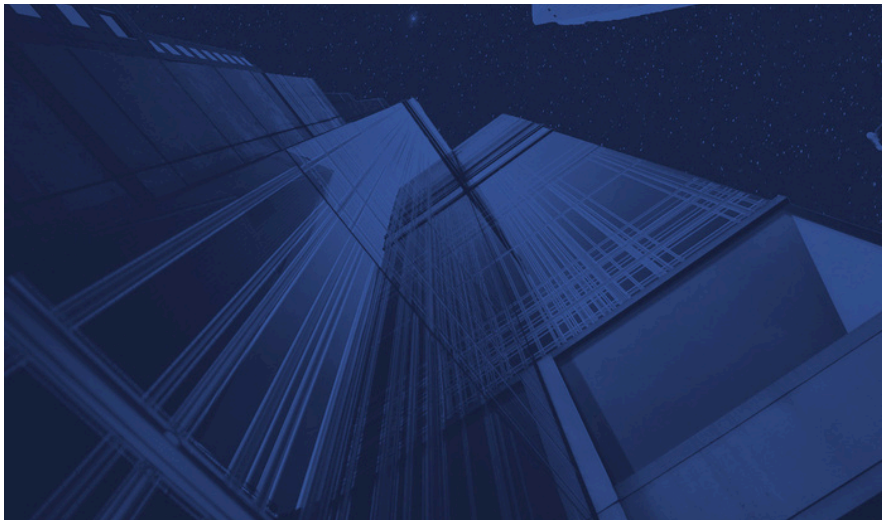


4.4. IMPACT ON CAPITAL MARKETS

Assuming, for illustrative purposes, 370,000 new beneficiaries per year and a public contribution of €120 per beneficiary, public expenditure and the corresponding financial inflow would amount to approximately €44 million for the first cohort. As contributions continue until the age of 18, expenditure would gradually increase as successive cohorts overlap, reaching approximately €800 million per year once the scheme is fully operational, before accounting for administrative costs and any future decline in birth rates. The cumulative cost of the programme does not constitute current pension expenditure: it generates financial assets held in the beneficiaries' names, but nevertheless represents a charge to the public budget at the time the contributions are made.

Private contributions could further increase these financial flows. If half of all families contributed an additional €10 per month on average, approximately €400 million in additional resources would be mobilised annually once the scheme is fully operational; higher participation rates or contribution amounts would increase this effect. These estimates represent mechanical scenarios rather than forecasts: the extent of genuine additional savings would depend on the proportion of new savings generated, as opposed to funds that families would otherwise have set aside through other instruments.

The stable, multi-decade nature of these financial flows makes the programme potentially significant for capital market development. A substantial proportion of the resources could be invested in equities, infrastructure and long-term investment vehicles, generating significant benefits for the Italian and European economies.



4.5. FISCAL COST, SUSTAINABILITY AND FUNDING ARRANGEMENTS

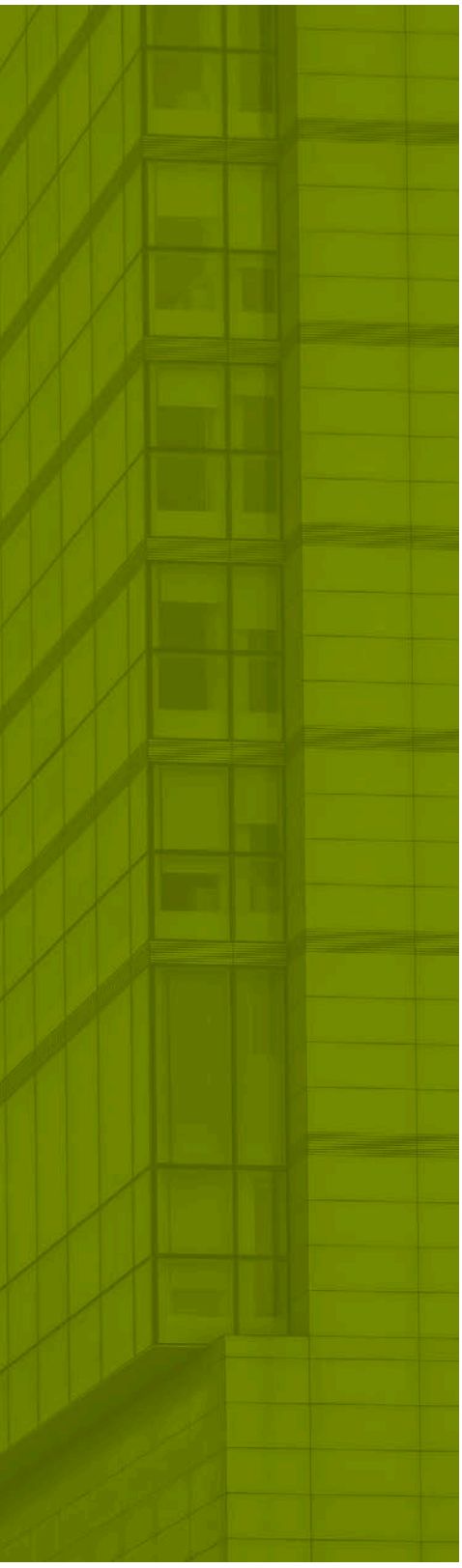
Under the baseline scenario, **the annual gross cost would progressively increase from approximately €44 million in the first year to €88.8 million in the second and €133.2 million in the third**, as successive funded cohorts gradually overlap. It is estimated that **once the scheme is fully operational, the annual cost would reach approximately €800 million**. These estimates deliberately do not account for any further decline in birth rates.

To this amount should be added the loss of tax revenue arising from any tax relief on top-up contributions, such as the proposed maximum tax deduction of €5,300 per dependent minor. This loss cannot be reliably estimated without defining the applicable tax rate, deduction ceiling, eligible population and proportion of genuinely additional contributions.

The gradual introduction of the scheme by cohort would make the measure more financially manageable and allow for periodic reviews. To prevent a measure intended to be permanent from being exposed to uncertain future funding, the legislation establishing the scheme should identify a permanent source of funding and establish a transparent mechanism for adjusting the contribution amount. Automatic indexation to inflation would preserve the real value of the contribution but would increase costs over time; alternatively, the amount could be reviewed every three years in light of public finances and monitoring results.

When assessing sustainability, it would be inappropriate to compare the cost solely with the pension benefits generated by the public contribution alone. The economic rationale for the measure also lies in reducing initial wealth disparities, improving financial literacy, increasing participation in supplementary pension schemes and mobilising private savings. Precisely because these wider benefits are uncertain, the programme should include measurable objectives and an evaluation clause: its continuation and expansion would be conditional upon meeting minimum thresholds for participation, top-up contributions, continued contributions and cost containment.

CONCLUSIONS



The Italian pension system is facing a demographic transformation that cannot be addressed through a single measure. Increasing employment, extending working lives in line with longevity, supporting productivity and preserving the balance of the public pension pillar remain essential. Strengthening supplementary pension provision does not replace these policies, but can reduce exclusive reliance on public pensions and help ensure more adequate retirement incomes in the future.

The Pension Investment Accounts proposed in this paper address the point at which pension gap first emerges: not at the end of working life, when making up for lost time is difficult and costly, but at the beginning of the life cycle. A regular public contribution from birth establishes an individual account for every newborn child, takes advantage of compound returns and makes supplementary pension provision a standard feature of the relationship between citizens and institutions.

However, the measure can only be effective if it retains three fundamental characteristics:

1. it must be genuinely universal, ensuring that access to the allocated funds remains available for a certain number of years even if the family does not immediately open an individual account for the minor;
2. it must be simple, with automatic procedures and clear, comprehensible information;
3. it must be efficient, with very low costs, portability and an investment policy consistent with the exceptionally long investment horizon.

The simulations show that a public contribution of €10 per month generates a significant amount of accumulated capital. The strategic value of the measure lies in its ability to encourage further behaviours: family contributions, continued contributions throughout working life and familiarity with long-term investment instruments. The success of the policy should therefore be measured not only in terms of the amounts contributed by the State, but above all by the participation it succeeds in generating and its distribution across different social groups.



APPENDIX
COMPARABLE MEASURES

The proposal presented in this report draws on an analysis of similar measures developed both at regional level in Italy (in Trentino-Alto Adige and Friuli-Venezia Giulia) and internationally (in Germany, the United States and the United Kingdom).

AUTONOMOUS REGION OF TRENTINO-ALTO ADIGE/SÜDTIROL

In September 2025, the Autonomous Region of Trentino-Alto Adige/Südtirol introduced a mechanism to encourage participation in supplementary pension schemes from childhood, partly similar to the one proposed in this report. The mechanism provides for a public financial contribution to be paid directly into a pension fund (affiliated with the Region) in the name of each child born, adopted or placed in foster care.

The contribution has a maximum total value of €1,100, spread over five years. A contribution of €300 is provided in the first year, followed by €200 in each of the subsequent four years, provided that at least €100 has been paid into the minor's pension account during the relevant year. The scheme therefore combines a guaranteed initial contribution with a co-financing mechanism designed to **encourage continued contributions over time**.

The measure is **universal in scope**, with no income thresholds for eligibility, and the only requirements relate to residence and territorial stability. To qualify for the contribution, the applicant must have resided in a municipality within the Region for at least three years, while the minor must be resident in the Region at birth or acquire residence there following adoption or placement in foster care. To receive contributions in subsequent years, the minor must continue to reside permanently in the Region.

As a transitional provision, the measure also applies to children already born: the contribution is also available to minors who had not yet reached the age of five on 1 January 2025, or for whom fewer than five years had elapsed since their adoption or placement in foster care.

From an administrative and operational perspective, implementation is entrusted to Pensplan Centrum S.p.A., an in-house company of the Region and the Autonomous Provinces, which is responsible for operational management and the provision of information and support. The Region estimated a take-up rate of 20% of potential beneficiaries, corresponding to approximately 8,500 births and adoptions each year. The projected expenditure therefore amounts to just over €3.2 million in the first year, before stabilising at around €2 million annually once the scheme is fully operational.

Data provided by the Autonomous Region of Trentino-Alto Adige/Südtirol indicate a good level of take-up, with approximately 40% of eligible families having joined the initiative just six months after its launch.

AUTONOMOUS REGION OF FRIULI-VENEZIA GIULIA

In 2021, Friuli-Venezia Giulia introduced an incentive to encourage participation in supplementary pension schemes from childhood, although through a different mechanism. The contribution operates on a **matching basis**: where at least €300 was paid into a supplementary pension account held in the name of a minor child during the previous year, the Region pays an additional financial contribution directly into the minor's pension fund.

The contribution is annual and may be requested each year, in accordance with the procedures and application windows established by the Region. A single application is submitted per household and covers all minor children who meet the eligibility requirements. From an administrative and operational perspective, implementation is entrusted to the relevant regional authorities, which manage the collection and assessment of applications through dedicated channels, while responsibility for managing supplementary pension accounts remains with the pension funds in which the minors' accounts are held. The amount of the contribution is determined annually by resolution of the Regional Government and therefore varies from year to year (for 2025, it was set at €200 per child).

Eligibility for the contribution is subject to several conditions. Among other requirements, the beneficiary family must have been resident in the Region for at least 24 consecutive months and hold a valid ISEE certificate with a value not exceeding €35,000 (the relevant ISEE being that applicable to subsidised benefits for minors). Exemptions from the ISEE requirement are provided for mothers with minor children participating in personalised protection and support programmes aimed at escaping situations of violence, and for widowed parents (for a maximum period of three years following bereavement).

Available data show that the initiative has gradually gained traction and become established across the Region. Applications increased from 251 in 2023 to 2,076 in 2026[19], demonstrating that tangible benefits, combined with straightforward and accessible procedures, can achieve significant results in expanding participation in supplementary pension schemes.

GERMANY

Broadening the scope of the analysis to the European context, Germany has recently developed a model for the structural integration of private savings into the pension system from an early age. The proposal, known as *Frühstart-Rente*, forms part of the broader reform of tax-advantaged private pension provision, which entered into force at the end of May 2026, with its main innovations scheduled to apply from 1 January 2027. Against this background, in August 2026 the Federal Government approved a specific draft law introducing the Frühstart-Rente, thereby initiating the legislative process. The measure aims to promote the accumulation of capital for supplementary pension provision from childhood through public contributions paid into individual private pension savings instruments.

[19] Il Piccolo (2026), Fondo pensione fin dalla nascita, il boom delle domande in Fvg, 7 September 2026.

The measure, in its current form under discussion, provides for the State to contribute €10 per month, from the age of six until the age of 18, for every minor belonging to the age **cohorts progressively covered by the scheme and whose principal residence is registered in Germany, without requiring mandatory contributions from parents**. The funds may be accumulated in an individual pension savings account held in the minor's name and linked to the new private pension instruments introduced by the reform, designed to support long-term saving and encourage greater exposure to financial markets over time. The new framework allows investment in capital markets without requiring a full capital guarantee, with the stated aim of improving long-term returns.

To ensure that all minors belonging to the eligible cohorts can benefit from the measure, even where their families have not opened an individual account, a collective investment arrangement managed by the Deutsche Bundesbank is envisaged. In such cases, the public contribution is nevertheless set aside and invested. The amounts due to the beneficiary may subsequently be transferred to an individual pension savings account if a certified product is opened, even after the beneficiary reaches the age of 18 and up to the age of 35.

UNITED STATES

In the United States, the main recent development has been the introduction of **Trump Accounts**, a new savings and investment vehicle for minors, established under the legislation known as the One Big Beautiful Bill Act (Public Law 119-21) and operational since 2026. These arrangements stem from various proposals discussed in recent years, which ultimately took shape in the **Milken Institute**'s proposal known as the **Invest America Account**[20].

Trump Accounts provide for an account to be opened on behalf of a minor at the request of an authorised person, generally a parent or legal guardian. For each child who is a US citizen and was born between 1 January 2025 and 31 December 2028, **an initial one-off public contribution of $1,000 is available**, subject to the submission of an application. In addition to the federal contribution, the account may receive contributions from parents, family members, employers and other parties. Ordinary contributions are subject to an overall annual limit of $5,000. Contributions made by parents and family members are not tax-deductible, while employer contributions of up to $2,500 per year may be excluded from the employee's taxable income. Investment returns accrued within the account also benefit from tax-deferred treatment. The funds are invested in low-cost index funds and are intended to **remain restricted until the year in which the beneficiary turns 18**. From that point onwards, the account is generally subject to the rules governing Traditional Individual Retirement Accounts (IRAs), individual accounts intended for retirement savings.

[20] Michael S. Piwowar and Robert J. Shapiro, *The Economic Impact of Invest America Accounts*, Milken Institute, 10 March 2025.

UNITED KINGDOM

The United Kingdom has savings instruments for minors which, although not specifically designed for pension provision, have characteristics that are relevant to encouraging long-term saving.

The most widely used instrument today is the **Junior Individual Savings Account** (Junior ISA)[21], a completely tax-free savings or investment account available to all minors resident in the United Kingdom. Parents or legal guardians can open an account in the child's name and contribute up to an overall annual limit of £9,000. There are two types of account: **Junior Cash ISAs**, which are similar to traditional savings accounts, and **Junior Stocks and Shares ISAs**, in which funds are invested in financial markets with a long-term investment horizon. In both cases, the funds held in the account legally belong to the minor and cannot be withdrawn until the age of 18, except in exceptional circumstances. Upon reaching the age of 18, Junior ISAs are automatically converted into standard ISAs and the funds become fully accessible, without restrictions on their use.

Alongside Junior ISAs, the United Kingdom also has **an explicitly pension-oriented instrument for minors**, namely the Junior **Self-Invested Personal Pension** (Junior SIPP). These are individual private pension accounts that can be opened by parents or legal guardians on behalf of a child from birth and remain inaccessible until the minimum pension access age is reached. Junior SIPPs are funded exclusively through voluntary contributions from parents, family members or third parties, which benefit from 20% tax relief under the relief at source mechanism commonly used in UK pension provision. In practice, for every £80 contributed to the pension account, the State adds a further £20, bringing the total amount invested to £100. The maximum annual contribution eligible for tax relief is £2,880, increasing to £3,600 once the tax relief has been applied.

[21] Junior ISAs replaced Child Trust Funds (CTFs), which were likewise completely tax-free savings or investment accounts, but which provided for automatic public contributions rather than tax relief on voluntary contributions.




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